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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE, Chairman
BOB STUMP, Commissioner
BOB BURNS, Commissioner
TOM FORESE, Commissioner
ANDY TOBIN, Commissioner

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE COMPANY
FOR RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

IN THE MATTER OF FUEL AND
PURCHASED POWER PROCUREMENT
AUDITS FOR ARIZONA PUBLIC SERVICE
COMPANY

Docket No.: E-01345A-16-0036

Docket No.: E-01345A-16-0123

**NOTICE OF FILING OF DIRECT
TESTIMONY OF G. DAVID VANDEVER**

Pursuant to the Chief Administrative Law Judge's Procedural Order dated July 22, 2016,
Intervenors, Local Unions 387 and 769 of the International Brotherhood of Electrical Workers,
AFL-CIO (collectively "the IBEW Locals"), by and through undersigned counsel, hereby file the
attached Direct Testimony of G. David Vandever.

1
2 RESPECTFULLY SUBMITTED this 20th day of December, 2016.

3 *Nicholas J. Enoch ET*
4 Nicholas J. Enoch Esq.
5 Lubin & Enoch, P.C.
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1 **Q1. Please state your name and business address.**

2 A1. G. David Vandever. My business address is 3060 West Deer Valley Road, Phoenix,
3 Arizona 85027.

4 **Q2. Please describe your present position, background, and experience.**

5 A2. I am the Business Manager/Financial Secretary for Local Union 387, International
6 Brotherhood of Electrical Workers, AFL-CIO, CLC ("IBEW Local 387"). The position
7 of Business Manager/Financial Secretary is an elected union position. I was elected to
8 this position first on July 15, 2010. Although all IBEW local unions have a President, the
9 principal officer of the Local is the Business Manager/Financial Secretary. *See*
10 Constitution of the International Brotherhood of Electrical Workers, AFL-CIO, Article
11 17, §§ 4 and 8.

12 Prior to becoming Business Manager/Financial Secretary for IBEW Local 387, I was
13 employed by Arizona Public Service Company ("APS") for over 29 years. I spent the
14 last 24 years of my employment as an Electric Troublemaker in the Western Division of
15 Metro Operations. I was an apprentice for the Journeyman Lineman classification at APS
16 from 1982 through 1985.

17 **Q3. Have you previously testified before the Commission?**

18 A3. Yes. In November 2011, I testified in my present capacity before the Commission in
19 support of APS' last application for a rate increase, in Docket No. E-01345A-11-0224. I
20 also testified in my present capacity in support of the settlement agreement reached in
21 that case.

22 **Q4. What is IBEW Local 387?**

23 A4. IBEW Local 387 is the duly-elected and recognized exclusive bargaining agent for
24 approximately one-thousand-three-hundred and fifty employees of APS. IBEW Local
25 387 is also the exclusive representative of employees at Navopache Electric Cooperative,

1 Inc., and of certain employees working for Unisource Electric Workers in Nogales and
2 for Graham County Electric Cooperative.

3 IBEW Local 387 and APS have a long series of collective bargaining agreements dating
4 back to 1945, concerning rates of pay, wages, hours of employment, and other terms and
5 conditions of employment. *See generally Int'l Bhd. of Elec. Workers v. NLRB*, 788 F.2d
6 1412, 1413 (9th Cir. 1986). IBEW Local 387 intervened in Docket No. E-01933A-11-
7 0224, among many other proceedings before the ACC involving APS and other regulated
8 utilities, and was a party to the APS rate case settlement agreement dated January 6, 2012
9 and approved in Decision No. 73183. Finally, IBEW Local 387 is an intervenor in the
Commission's Investigation of Value and Costs of Distributed Generation, Docket No. E-
00000J-14-0023.

10 **Q5. What is IBEW Local 769?**

11 A5. IBEW Local 769 represents employees of subcontractors working for virtually all of
12 Arizona's utility companies, large and small. IBEW Local 769 is the exclusive
13 bargaining agent for all IBEW outside line workers in Arizona, and also represents
14 employees of Mohave Co-Op, Frontier Communications, Griffith Power Plant,
15 Bombardier Transportation and a newly organized group of more than four-hundred and
16 fifty workers for AT&T/DirecTV. IBEW Local 769 is also the exclusive bargaining
17 representative of approximately 80 employees of UNS Electric Corporation in Mohave
18 County. Its scope of work also includes teledata, street light, and trenching for APS and
throughout the state of Arizona. At any given time, IBEW Local 769 has between five
and two-hundred of its bargaining unit employees working for subcontractors of APS.

19 IBEW Local 769 intervened in Docket No. E-01933A-11-0224, among several other
20 proceedings before the ACC involving APS and other utilities, and was a party to the
21 January 6, 2012 APS rate case settlement agreement approved in Decision No. 73183.
22 Finally, IBEW Local 769 is also an intervenor in the Commission's Investigation of
23 Value and Costs of Distributed Generation, Docket No. E-00000J-14-0023.
24

1 **Q6. Are IBEW Locals 387 and 769 separate legal entities?**

2 A6. Yes. Additionally, our International Union and its constituent local unions, including my
3 own, are separate legal entities. However, the various IBEW local unions in the state of
4 Arizona meet on a regular basis to discuss issues of mutual concern. Generally speaking,
5 we are familiar with and supportive of the actions of each other. IBEW Locals 387 and
6 769 have chosen to collectively intervene in these proceedings. As a result, I am
7 testifying today on behalf of IBEW Locals 387 and 769.

8 **Q7. Does IBEW Locals 387 have a stake in this proceeding, other than in its capacity as
9 a labor organization?**

10 A7. Yes. As a building owner in APS' service territory, Local 387 falls within the definition
11 of a "small business" customer under the E-32 Rate Plan.

12 **Q8. What is the purpose of your testimony?**

13 A8. I am testifying in support of APS' application for a rate hike. In particular, I explain:

- 14 1. why the proposed rate hike is in the public interest;
- 15 2. why rate relief will afford APS the ability to attract, retain, and replace the skilled
16 workers it needs to provide safe and reliable service; and
- 17 3. why APS must adopt a new price plan for solar customers that ensures that it is
18 adequately compensated for its services.

19 **Q9. Why is the proposed rate hike in the public interest?**

20 A9. It is in the interest of residential utility customers to have a highly skilled workforce
21 providing them safe and reliable service. APS is competing for a talented workforce,
22 particularly when it comes to linemen, substation electricians, and those working in
23 generation. Indeed, this is one portion of the job market in which demand outstrips
24 supply. Unless APS has the ability to provide a highly competitive employment package,
APS and the public will suffer. It costs a great deal of money for APS to attract, hire,
train, and maintain a highly skilled workforce to do critically important work. Thus, the

1 IBEW Locals submit, it is in the interests of residential utility customers to pay
2 something more than rock-bottom prices for electric service.

3 Finally, it is worth noting that Article XV, § 3 of the Arizona Constitution expressly
4 states that the interests of public service employees are on par with those of patrons:

5 The corporation commission shall have full power to, and shall . . . make
6 reasonable rules, regulations, and orders, by which such [public service]
7 corporations shall be governed in the transaction of business within the
8 State, and . . . make and enforce reasonable rules, regulations, and orders
for the convenience, comfort, and safety, and the preservation of the
health, of the employees and patrons of such corporations.

9 Thus, it is the responsibility of the Commission and APS to ensure that its rate proposal
10 serves the needs of both customers and employees. The IBEW Locals firmly believe that
11 APS' requested rate increase meets this test.

12 **Q10. What challenges does APS face by its aging workforce, and how do you suggest that**
13 **it meet these challenges?**

14 A10. 2016 is estimated to be the peak year for retirement for APS. Workforce Planning
15 Compliance Report May 2016, page 4. Furthermore, APS notes that approximately 36%
16 of its employees will become eligible to retire by the end of 2018, and that this may
17 "negatively impact our business, financial condition or results of operations." July 1,
18 2016 APS Application-Rates, Part 1, page 173. APS notes that "[a]lthough we have
19 undertaken efforts to recruit and train new employees, we face increased competition for
20 talent." *Id.* To continue providing safe and reliable power, APS must meet this challenge
head-on. To do so, it must establish a rate that allows it to adequately replace its aging
workforce.

21 Ensuring that APS has groomed workers who can replace its retirees is not a cheap
22 proposition. APS cannot simply hire new employees upon the retirement of current ones.
23 For skilled positions, such as journeyman lineman and journeyman electrician, the period
24

1 of apprenticeship is four years. Thus, there must be a significant period of overlap
2 between the service periods of retirees and their replacements.

3 APS must expend a substantial amount of money to train employees to ensure that they
4 become fully qualified and at least minimally capable of replacing more seasoned
5 employees. To replace journeyman linemen, journeyman electricians, E&I technicians,
6 and control operators, APS pays more than \$200,000 per employee in apprenticeship
7 wages and training costs. In light of these costs, it is imperative that APS be afforded
8 rate relief sufficient to allow it to ramp up its hiring in these and other classifications in
9 the short-term so that APS may have an appropriate number of fully-qualified personnel
10 in place as its employees continue to retire, thereby allowing it to continue providing safe
11 and reliable service. To this end, IBEW Locals 387 and 769 propose that APS receive
12 substantial dedicated funds—over and above what APS presently seeks in the form of
13 rate relief—to enable it to increase its hiring significantly to effectively meet these
14 challenges. We propose that the mechanism by which these efforts are funded is in the
15 form of a customer charge, and further, that APS track and report annually the actual
16 level of new hiring and the overall staffing levels in these positions.

14 **Q11. Why are IBEW Locals 387 and 769 concerned about the cost and value of**
15 **distributed solar?**

16 **A11.** Both IBEW Locals have intervened in the Commission's Investigation of Value and
17 Costs of Distributed Solar, Docket No. E-00000J-14-0023 and have filed Direct
18 Testimony detailing their position on distributed generation, which they incorporate by
19 reference. IBEW Locals 387 and 769 will summarize their concerns here.

20 The IBEW Locals' principal concern is that, currently, solar customers use and rely on
21 the grid without contributing their fair share to the cost of its maintenance, thereby
22 requiring utilities to absorb or shift the cost to other users and fundamentally
23 destabilizing the environment in which utility workers, including those represented by the
24 IBEW Locals, do their jobs. Under the current system, although solar customers continue

1 to rely on APS' grid, they are excused from paying a proportionate share of the cost of
2 their use, including maintenance, transmission, and distribution facilitated by the grid.
3 APS, meanwhile, must nevertheless continue to employ workers to build and maintain
4 the grid. The fact that APS does not currently receive a fair price for its services
5 jeopardizes job stability for its workers and reduces its ability to provide a safe and
6 efficient workplace. This is obviously an unfavorable circumstance for the IBEW
7 Locals' members.

8 The IBEW Locals believe that APS' mechanism for pricing solar must accurately reflect
9 the total cost of providing energy to a solar customer. Specifically, the IBEW Locals
10 support the adoption of a plan similar to SRP's new Customer Generation Price Plan
11 which bases a customer's energy costs on the utilities' cost in providing it, while still
12 allowing customers to receive a credit for any energy they send back to the grid.

13 **Q12. Is there anything else you wish to add?**

14 A12. Yes. As a labor organization with speech-related spending rights similar to those enjoyed
15 by APS, the IBEW Locals have a continued interest, as expressed in their Motion to
16 Intervene, in the Commission's expected resolution of the "dark money" and recusal
17 issues presented in ongoing comments in the docket and in the September 17, 2015 filing
18 by Hugh Hallman and David Brooks in Docket No. E-01345A-13-0248.

19 **Q13. Does this conclude your direct testimony?**

20 A13. Yes.
21
22
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24

1
2 **CERTIFICATE OF SERVICE**

3 Original and thirteen copies of the IBEW Locals' Notice filed this 20th day of December, 2016,
4 with:

5 Arizona Corporation Commission
6 Docket Control Center
7 1200 West Washington Street
8 Phoenix, Arizona 85007-2996

9 Copies of the foregoing transmitted electronically or mailed this same date to those identified on
10 the attached service list for this docket.
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